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Combating poverty*

Report of the Secretary-General

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I. Introduction

1. Combating poverty has been a central theme of recent United Nations conferences and summits, particularly the 1992 United Nations Conference on Environment and Development, the 1995 World Summit for Social Development, and the 2000 Millennium Summit. The Millennium Declaration included a commitment to halve by the year 2015 the proportion of the world's population whose income is less than $1 per day.[1]

2. Poverty is a multidimensional phenomenon, characterized by low income and low consumption, hunger and malnutrition, poor health, lack of education and skills, lack of access to water and sanitation, and vulnerability to economic and social shocks. These characteristics are closely associated with one another: low income restricts access to basic goods and services, and lack of access to goods and services limits income-generating opportunities. Poverty is often associated with other social factors such as race, ethnicity and gender, reflecting actual or historical patterns of discrimination against certain social groups.

3. In recent decades, poverty rates, measured in various ways, have fallen in the world and in most countries — dramatically so, in some countries. However, poverty has increased in other countries, and the gap between the richest and poorest countries has increased.

II. Trends in income poverty

4. Between 1990 and 1998, the poverty rate in developing countries, based on a global poverty line of $1 per day, declined from 29 per cent to 23 per cent. If that rate of decline could be maintained, the poverty rate in 2015 would be just about half of the 1990 rate. The total number of people in poverty declined slightly in the 1990s, from about 1.3 billion to 1.2 billion.[2]

5. While the global poverty line of $1 per day does not reflect the income and consumption needed to be considered non-poor in high- or middle-income countries, it applies in some of the poorest countries and thus serves as a useful indicator of the extent of extreme poverty in the world — that is, the number of people who cannot meet their most basic needs for food, shelter and other absolute necessities. It is also useful for monitoring trends in poverty, including poverty in the middle-income countries, since it generally follows the same trends as higher poverty lines.

6. A large majority of the people in poverty are in Asia, with about 522 million in South Asia and 267 million in East Asia, including South-east Asia. The rate is highest, however, in sub-Saharan Africa, at about 48 per cent of the population. The percentages in other regions at the end of the 1990s were: 40 in South Asia, 15 in East Asia, and 12 in Latin America and the Caribbean.

7. In East Asia, the poverty rate declined from about 28 per cent in 1990 to 15 per cent in 1998, with the number of people in poverty declining from 418 million to 267 million. This dramatic reduction was due largely to rapid economic growth in the region, with per capita GDP growing at a rate of 6.6 per cent per year. Major reductions in poverty were achieved in China as well as in Malaysia, Thailand and Indonesia prior to the 1997-1998 economic crisis. That crisis led to substantial short-term increases in poverty, particularly in Indonesia, the Republic of Korea and Thailand. In Indonesia, the poverty rate almost doubled from 1996 to 1999 but appears to have declined again to its pre-crisis level. In the Republic of Korea, urban poverty more than doubled following the crisis but has subsequently declined again.

8. In South Asia, the proportion of people in poverty fell from 44 per cent in 1990 to 40 per cent in 1998, while the number of people in poverty increased from 474 million to 522 million. Per capita GDP grew in the 1990s at almost 4 per cent per year, but poverty reduction has been slow.

9. In sub-Saharan Africa, between 1990 and 1998, the poverty rate remained largely unchanged at about 48 per cent, and the number of people in poverty increased from 217 million to 291 million. Per capita incomes declined slightly over the 1990s, with lower commodity prices, civil conflicts and AIDS contributing to increases in poverty in many countries. Nonetheless, a few countries achieved significant reductions in the poverty rate. In Uganda, rapid economic growth in the 1990s, at almost 5 per cent per capita, reduced the poverty rate from 56 per cent to 44 per cent. In Côte d'Ivoire, Ghana and Mauritania, modest per capita economic growth, combined with reductions in inequality, led to significant reductions in the poverty rate.

10. In Latin America, the poverty rate declined from 17 per cent in 1990 to 12 per cent in 1998, while the number of people in poverty fell from 74 million to 61 million. In Brazil, poverty fell by 30 per cent in two years following economic stabilization in 1994. In Mexico, the poverty rate increased following the 1995 financial crisis. In Latin America, as in other regions, poverty often has a strong geographical component, with poverty concentrated in the rural highlands of the Andean countries and in the drought-prone north-east of Brazil.

11. In Eastern Europe and the former Soviet Union, there was a dramatic increase in poverty in the 1990s as GDP per capita declined and inequality increased. The number of people living on less than $1 a day increased from 1 million in 1987 to 7 million in 1990 and to 18 million in 1998, or about 4 per cent of the population. In the Russian Federation, between 1987 and 1998, real per capita GDP declined 41 per cent and inequality increased dramatically, leaving 19 per cent of the population with an income of less than $2 a day. In some Eastern European countries, economic growth resumed and poverty declined in the late 1990s.

III. Trends in inequality

12. Inequality in global income distribution has increased in recent decades, primarily due to the increasing gap between the richest and poorest countries. The ratio of average income of the richest 20 per cent of the world's population to average income of the poorest 20 per cent increased from 60:1 in 1991 to 78:1 in 1994. The poorest 20 per cent of the world's people receive only 1.1 per cent of world income, a decline from 1.4 per cent in 1991.[3]

13. Within countries, there is no clear overall trend in inequality. For the limited number of countries for which good data exist, between 1980 and the early 1990s, inequality appears to have declined in 24 countries and increased in 19 countries. However, the countries with increasing inequality include larger countries, so a majority of the world's population probably lives in countries with increasing inequality. Indonesia, the Republic of Korea and Malaysia achieved significant reductions in inequality together with rapid economic growth, with the two trends combining to produce large reductions in the poverty rate.

14. The new and improved survey data on inequality, covering more countries and with multiple surveys for many countries, do not support the old view that increasing inequality is a normal part of the early development process (the Kuznets hypothesis).[4] The new data show no general link between inequality and economic development. There are, however, significant regional patterns, with inequality generally being higher in Latin America and Africa, and lower in Asia and the developed countries. There is a growing view that more egalitarian societies tend to deal more effectively with economic, social and political shocks, sharing the burdens and adapting to changing situations. Furthermore, high or increasing inequality reduces the impact of economic growth on the reduction of poverty, thus requiring more economic growth to reduce the poverty rate by half, for example. High inequality in the distribution of productive assets, including land, capital, education and health, also limits development.

IV. Trends in other indicators of poverty

15. One of the international poverty-related targets, set at the World Food Summit in 1996, is the reduction by half of the number of hungry, or chronically undernourished, people in the world by 2015. Approximately 826 million people were thought to be chronically undernourished in 1996-1998, of which some 792 million lived in developing countries. While this is a significant reduction from the over 950 million undernourished in developing countries in 1969-1971, the projected number in 2015 is expected to be around 580 million, well over the target. To reduce hunger by half by 2015, a reduction of 20 million per year is needed, whereas, since the early 1990s, hunger has declined at a rate of less than 8 million per year. In sub-Saharan Africa, 34 per cent of the population were undernourished in 1996-1998.[5]

16. The average mortality rate for children under five years of age in the developing world fell from 135 (per 1,000 live births) in 1980 to 79 in 1998, compared to an OECD average of six. However, progress slowed in the 1990s and is below the rate required to meet the target of a two-thirds reduction between 1990 and 2015. Significant reductions were achieved in South Asia, to 89 per 1,000, in East Asia, to 43, in the Middle East and North Africa, to 55, and in Latin America and

the Caribbean to 37. Child mortality rates fell by three quarters in Sri Lanka, China, and Viet Nam, demonstrating what can be achieved. Child mortality rates remain high in sub-Saharan Africa, at over 150 per 1,000. In some countries in sub-Saharan Africa, infant and child mortality rates are rising, after years of decline.[6]

17. The international community has adopted the target of universal primary education by 2015. The proportion of primary school-age children in school has increased in all regions in the 1990s. In East Asia, primary education is now almost universal. The net primary school enrolment rate is about 94 per cent in Latin America and the Caribbean, 87 per cent in the Middle East and North Africa, and 77 per cent in South Asia.[7] In sub-Saharan Africa, however, net enrolment rates, at 60 per cent, have risen only slightly since 1980. In 12 countries in Africa, over half of primary school-age children are not in school.

18. Gender disparities in education have been reduced in all regions but remain substantial in South Asia and Africa. Globally, about 60 per cent of the children not in school are girls. The ratio of girls to boys in primary school is 82 per cent in South Asia and 84 per cent in sub-Saharan Africa, with lower ratios for secondary school.[8]

V. Poverty, natural resources and the environment

19. Poverty is generally concentrated in rural areas. While it is difficult to compare rural and urban poverty, it is estimated that about 75 per cent of the world's poor live in the rural areas of developing countries. In many developing countries, recent economic growth and poverty reduction have been concentrated in the cities, increasing economic differentials between urban and rural areas. Continuing urbanization is increasing the proportion of poor people who live in urban areas, but it is projected that 60 per cent of the world's poor will still be in rural areas in 2025.[9]

20. Rural and agricultural development has been particularly effective in reducing rural poverty, especially from 1975 to 1990. However, poverty reduction slowed in many countries in the 1990s as growth in agricultural productivity slowed and development policies and funding focused on export-oriented manufacturing, largely based in urban areas. The proportion of official development assistance (ODA) going to agriculture, which provides the livelihoods for most people in poverty, declined from 20 per cent in the late 1980s to about 12 per cent in 2000, and its absolute value fell by two thirds. The share of ODA going to low-income countries, where over 85 per cent of poor people live, has remained roughly constant, at around 63 per cent, and has been declining in real terms.[10]

21. Environmental degradation and resource depletion have a disproportionate impact on people in poverty, particularly in the rural areas of developing countries where subsistence and employment depend directly on natural resources. Degradation or depletion of soils, forest resources, water resources, pastures, wildlife and fisheries is aggravating poverty in many countries. Since the poor people in rural areas are often dependent on access to common sources for fuelwood, forage, water and other needs, the tendency to privatize common lands is also aggravating poverty. While people in poverty may be driven by need and by lack of ownership, knowledge and capital to use natural resources in unsustainable ways, most resource degradation occurs through overexploitation by the non-poor.

22. Experience in a number of regions in recent years has shown that community organizations involving people in poverty can, if given the authority, manage natural resources on a sustainable basis to support community development and poverty reduction. Collective, participatory resource management by local communities and user groups has been particularly effective in the conservation and management of water resources, forests and grazing lands, in some cases resulting in substantial improvements in sustainable yields.

VI. Challenges for the future

23. Meeting the poverty-related targets adopted by the international community in the 1990s will require both steady economic growth and specific efforts to meet economic and social needs. Since the population in poverty is dynamic, with some people escaping poverty each year while others fall into it as a result of unemployment, illness, violence, natural disaster or other misfortune, poverty reduction efforts must include policies and programmes that reduce social and economic vulnerability, especially of those near the

poverty line, through social safety nets and other support structures.

24. A large majority of the people in poverty will continue to live in the rural areas of developing countries for at least the next two decades. Increasing priority must therefore be given to rural and agricultural development, in a reversal of the declining priority it received in the 1990s. Major efforts will be needed to improve agricultural productivity and broaden access to land, credit, education, health care, water and sanitation. Poverty reduction will also require improvements in rural infrastructure, including markets, roads, transportation systems, communication, electricity and other modern energy sources, and institutions and incentives for saving and investment.

25. Rural people in poverty often live on marginal and degraded land, increasing their difficulty of escaping from poverty. Policies and programmes to combat poverty in such areas should therefore include agricultural research and extension work to develop and disseminate crops and techniques suitable for sustainable agriculture.

26. Community and other organizations representing people in poverty need to be included in policy-making for reducing poverty. Such organizations should be supported and strengthened in order to promote community development initiatives and to improve dialogue with government and other groups. In rural areas, community organizations including people in poverty should be involved in managing local water resources, forest resources and access to grazing land.

27. Another critical challenge will be addressing the particular needs of women and children in poverty. Women bear the greatest burdens of poverty and generally have more restricted opportunities for overcoming poverty. Promoting equal access for women to income-generating activities, land, water, credit and other resources is essential to poverty reduction. Income that is earned and controlled by women in poverty is more likely to be used to improve nutrition, health care, education and other basic needs than income earned or controlled by men. Ensuring access of all children to basic education and health care, and equal access for girls to education at all levels, is also critical. Because poverty is usually measured on a household basis, there is a lack of data on gender-specific poverty rates and trends. There is a need for better data to assess gender-specific poverty issues and to develop policies to address the problems.

Notes

[1] General Assembly resolution 55/2, para. 19.

[2] Data on trends in income poverty are based on the work of the World Bank, using an international poverty line of $1 per day per person (in constant 1985 United States dollars, at purchasing power parity). For the most recent data, see: www.worldbank.org/poverty/data/trends/index.htm. More detailed data and analysis are contained in the World Bank's *World Development Report 2000/2001*, available at: www.worldbank.org/poverty/wdrpoverty. Unless otherwise indicated, income data in the present report are from those sources.

[3] Thomas Vinod and others, *The Quality of Growth* (Washington, D.C., World Bank, 2000). See also *Poverty Trends and Voices of the Poor* (Washington, D.C., World Bank, 1999).

[4] Gary S. Fields, *Distribution and Development: A New Look at the Developing World* (Cambridge, MIT Press, 2001).

[5] *The State of Food Insecurity in the World* (Rome, FAO, 2000).

[6] *A Better World For All* (Washington, D.C., International Monetary Fund, 2000).

[7] *World Development Report 2000/2001* (Washington, D.C., World Bank, 2001), table 6.

[8] *The State of the World's Children 2001* (New York, UNICEF, 2001), table 7. See also www.unicef.org/sowc01.

[9] *Rural Poverty Report 2001* (Rome, International Fund for Agricultural Development, 2001), p. 15.

[10] *Rural Poverty Report 2001* ..., pp. 1-6.